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26 APRIL 1981

Wall St. Enforcer Among the Spooks?

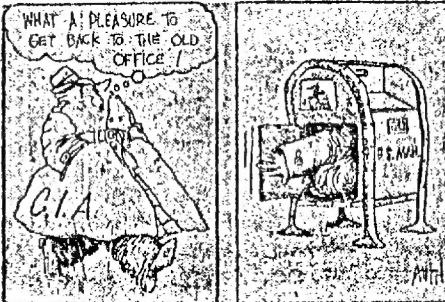
However else his tour at the Central Intelligence Agency is remembered, William J. Casey will be recalled as a director who wasn't reluctant to sign on independent-minded subordinates. First, there was Admiral Bobby R. Inman, who was chief of the National Security Agency and, it was said, wanted to run the C.I.A. himself; Mr. Casey made him deputy director. And now, The New York Times reported last week, Mr. Casey — the expected conservative opposition notwithstanding — is about to make Stanley Sporkin, head of the Securities and Exchange Commission's enforcement division, the agency's general counsel.

Thanks in large measure to his investigations of corporate dishonesty and to his belief that the public is entitled to know what government is up to, Mr. Sporkin is credited with restoring considerable luster to the securities commission's reputation. Mr. Casey evidently believes he can help do the same for the C.I.A. And Mr. Casey knows from first-hand experience that Mr. Sporkin is hard to push around, even when influential parties are involved. In 1972, when Mr. Casey was chairman of the securities commission, Mr. Sporkin overrode a go-slow advisory from the White House, passed along by Mr. Casey, and refused to delay an investigation of financier Robert L. Vesco.

24 April 1981

BACK TO THE OLD DAYS

If the exact number of people employed by the U.S. Central Intelligence Agency is kept in deep secrecy, even more so is the number of those in Langley whose job it is to read other people's letters. It is said to be sizable. And they are kept pretty busy. For only hobgoblins in Karel Capek's story could read letters without opening the envelope. At Langley the envelopes are not only opened but also resealed so as to leave no trace of any violation of the privacy of correspondence guaranteed by law.



At one time the Watergate scandal, which cost Richard Nixon the presidency, scared many and resulted in a

slight abbreviation of the CIA's prerogatives, including its right to meddle with the mails. Now, however, there is a growing cry in the U.S. for putting an end to the "post-Watergate syndrome." CIA Deputy Director Robert Inman threatened to resign if its former powers were not restored to the Agency.

But he has not had to resign. A new 16-page presidential order has reportedly already been drafted, with professional expertise, it is said. What the final decision is expected to be can be seen from the accompanying cartoon from the U.S. News and World Report.

V. GRIBACHOV

William Joseph Casey

THE "CYCLONE" MOVES IN AT LANGLEY

by Louis Wolf

On December 11, 1980 President-elect Reagan announced his selection of William Joseph Casey to succeed Admiral Stansfield Turner as Director of Central Intelligence. The announcement trumpeted a message to the American people and to peoples and governments around the globe of the much-heightened priority the new administration would give to the intelligence apparatus.

It is essential to review Casey's controversial career in light of the central role he is expected to assume in the Reagan-Bush administration. He is in fact the first DCI to be made a member of the President's Cabinet. Nearly every press report would have readers believe that Casey's connection with intelligence was confined to his World War II service in the Office of Strategic Services, the predecessor of the CIA. As we shall demonstrate, this is not the case.

Background

William Joseph Casey was born 67 years ago in New York City. During his teens, he was nicknamed "Cyclone" by schoolmates because of his volatile temperament. After earning a Bachelor of Science degree at Fordham University and a law degree at St. John's University, he was admitted to the New York Bar in 1938, a year after he joined the Research Institute of America. In 1942, General William "Wild Bill" Donovan recruited him into the OSS under cover of the U.S. Naval Reserve when it became apparent that Casey's poor eyesight would disqualify him from active sea duty. At 29, he became chief of the OSS secret intelligence branch in the Western Europe sector, and from his London office, coordinated several hundred men involved with the war's most sensitive intelligence and sabotage missions in Germany and France.

After the war, he worked closely with General Donovan and some of his OSS colleagues in the formation of the CIA. He is known to have argued strongly for the institutionalization of covert action as the moving force of U.S. postwar intelligence. He proudly claims a role in helping to establish how the CIA would be organized and function. Casey also applied his intelligence experience to the Marshall Plan, the postwar economic recovery program for Western Europe which was central to the U.S. strategy of limiting the influence of the socialist and communist unions and political leaders. Casey was a key advisor to the Plan during the early 1950s.

Still with the Research Institute of America, Casey also lectured at the New York Institute on Federal Taxation, entering the field in which he was to become famous and rich. He began practicing law in 1953, CIA RDP91-00901R0005

Business Planning, a subsidiary of the Prentice-Hall publishing company. He stayed there for seventeen years and carved out a niche for himself as an author and editor of various manuals for business people and lawyers. Among the 30-plus publications that would earn him millions were such evocative titles as: "How to Build and Preserve Executive Wealth" and "How to Raise Money to Make Money." During his unsuccessful 1966 campaign for a congressional seat, he bragged: "I've made all the money in business that my family could ever spend."

It was one of the Casey tax manuals that stirred up a hornet's nest. In 1964, a lawyer-author who had submitted a book manuscript to Prentice-Hall brought a plagiarism suit against Casey upon realizing that 2½ pages of text from the work, which the firm had already rejected, found their way into the text of one of Casey's manuals. His deposition was taken; the transcript shows that he swore at the author's lawyer, now dead, and threatened in a string of expletives to "kick your ass out of here." The judge in the case has since stated that plagiarism had indeed been committed. Even Casey has admitted there was plagiarism, but alleged that his subordinates were to blame for it though he was editor of the manual. While Casey represented that the judge had ordered the record sealed on his own initiative, the judge told Congress it was Casey's lawyers who had done so "for the purpose of expunging the verdict and the record of the trial and possible attendant publicity."



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William Casey

Verification Of SALT Is Questioned

By Henry S. Bradsher
Washington Star Staff Writer

Answering a query from Sen. Jesse Helms, R-N.C., the acting director of the Arms Control and Disarmament Agency has written that the agency, "before our SALT review is completed," is unable to assure that Soviet compliance with SALT I and II can be adequately verified.

The last two-directors of the arms control agency had written to the Senate Foreign Relations Committee during discussion of SALT II that treaty compliance could be adequately verified. However, some sources said there have been significant changes in the situation since then.

The current acting director of the agency, Michael Pillsbury, wrote to Helms within the last day or two that verification could not be confirmed pending review of the situation. Pillsbury's letter quoted a statement by President Reagan that the Soviets lie and cheat.

The answer, signed by Pillsbury, said a full report is being prepared. "Of course, before our SALT review is completed," it said, "we are unable to reassure you that these agreements are adequately verifiable at the present time."

"Clearly, in matters of arms control verification" the reply continued, "our review must be guided by the president's warning about the Soviets on Jan. 29, 1981. He said, '...the only morality they recognize is what will further their cause, meaning they reserve unto themselves the right to commit any crime, to lie, to cheat, in order to attain [a one-world socialist or Communist state], and that is moral, not immoral, and we operate on a different set of standards. I think when you do business with them, even at a detente, you keep that in mind.' "

The reply is expected to touch off a new controversy on Capitol Hill and in the Reagan administration on the strategic arms limitation treaties with the Soviet Union.

The person identified by White House officials as Reagan's intended nominee to be the permanent head of the arms control agency, Eugene Rostow, said yesterday that he has in the past emphasized "the enormous difficulties of verification." He said this would have to be one of the first issues to be considered if he is nominated and confirmed by the Senate.

Helms has put a hold on any action on Rostow pending assurances on who would staff the agency under Rostow, whom Helms considers to be a liberal. The conservative North Carolinian was among 12 senators who on Feb. 18 urged Reagan to name Pillsbury as the agency's deputy director.

Pillsbury's letter to Helms added a new complication to a confused administration situation on SALT. An interdepartmental group has been meeting to review policy on it, but no basic decisions have been reached.

The group has, according to informed sources, been moving closer than previous administrations have ever gotten toward formal findings that the Soviet Union has violated the two SALT treaties. SALT I was ratified and went into effect in 1972, and SALT II was signed in 1979 but never ratified.

A former arms control agency official who had been critical of the treaties, John Lehman, said last month in his new position as secretary of the Navy that there is no legal basis for the United States to honor the agreements. If asked, Lehman said, he would recommend that the administration not comply with them.

This brought a quick rejoinder from Secretary of State Alexander M. Haig Jr., who felt his official prerogatives were being pre-empted.

Calling Lehman's statement unauthorized, Haig said, "While we are reviewing our SALT policy, we will take no action that would undercut existing agreements so long as the Soviet Union exercises the same restraint."

Haig's statement raised the question of whether the administration could be sure if the Soviet Union were exercising restraint. Officials said yesterday that Haig's statement was issued without any detailed study by the new administration of the verification issue.

Both retired Lt. Gen. George M. Seignious II and Ralph Earle II, the last two arms control agency directors, assured Frank Church when he was the committee's chairman that SALT II could be adequately verified.

During the committee's consideration of SALT II in 1979, the then head of the CIA, Adm. Stansfield Turner, and of the National Security Agency, Adm. Bobby Inman, testified that the treaty was verifiable. Inman is now deputy head of the CIA, which plays a key role in analyzing verification questions largely on the basis of data collected by the NSA.

But there have always been government technical experts and analysts who have disagreed with the assurances on verifiability.

In a telephone interview from his office at the Yale Law School, Rostow said that the possibility of Soviet concealment of weapons and the difficulties of determining the numbers of warheads on Soviet missiles had always been stressed by him. Rostow is a leader of the Committee on the Present Danger that has opposed SALT II. It has taken the position that the treaty "is far from being verifiable."

CONFIDENTIAL

The Director of Central Intelligence
Approved For Release 2001/03/07 : CIA-RDP91-00901R000500270010-6
Washington, D.C. 20505

April 14, 1981

MEMORANDUM FOR: The Secretary of State
The Secretary of Defense
The Assistant to the President for National Security
Affairs

SUBJECT : Concern for Protection of Intelligence Sources

1. Much of the information on world events that is available to the Administration is derived directly and exclusively from sensitive intelligence sources and methods. In making public statements relative to specific events, Administration officials frequently find it necessary to draw upon personal knowledge that is based at least in part on such highly classified intelligence.

2. The current situation in Poland, for example, has created news media pressures for anything known regarding Soviet actions and intentions, and it is unfortunate that some information has been revealed to the media in such a manner as to indicate or imply intelligence sources. Such revelations as have occurred could easily prompt the Soviets to take countermeasures thus denying us information at a time when its continued availability is critical to U.S. interests. Similar revelations to the media in the future about this or other situations could significantly impair our long-term ability to collect foreign intelligence around the world.

3. I therefore strongly urge you to ensure that any public statements based directly on classified intelligence be avoided. Should you or your staffs judge circumstances warrant consideration to use sensitive intelligence information for public release, the Intelligence Community stands ready to lend immediate assistance in sanitizing the information to minimize adverse intelligence consequences.

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Admiral, U.S. Navy
Acting Director

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Control government snooping

In today's Sunday Forum, Delaware's junior senator, Democrat Joseph R. Biden Jr., discusses proposals to ease current restrictions on domestic intelligence surveillance by the Central Intelligence Agency and the Federal Bureau of Investigation.

Sen. Joseph R. Biden Jr.

FEVER SINCE I joined the Senate Intelligence Committee in 1976, I have been hearing arguments that the CIA and other intelligence agencies can't function because of restrictions that have been put on them. The blame for this situation is most frequently placed on Congress.

These arguments are patently false.

The restrictions commonly complained about, those dealing with covert intelligence collection, were enacted by the last two presidents, Ford and Carter, through the issuance of executive orders. These restrictions were largely based on the recommendations of a special commission, known as the Rockefeller Commission, which President Ford appointed to seek ways to correct the abuses of power which the CIA and similar agencies had committed under Watergate and in previous years.

Those abuses were wrong. When they were uncovered, everyone agreed they were wrong.

The CIA had no business spying on innocent Americans who had done nothing more than speak out against an administration's policies in Vietnam. The FBI had no business trying to smear the reputations of individuals who had honest disagreements with an administration's policies.

There is no reason why our intelligence agencies should be involved in activities of this kind. These activities did nothing to strengthen our national security — in fact, they undermined it by attacking the basic rights and freedoms of our society and by diverting the agencies' attention from serious national security threats.

For these reasons, our intelligence agencies and our nation as a whole have been strengthened, not weakened, by the executive orders Presidents Ford and Carter issued.

The orders properly focus the attention of the CIA and our other foreign intelligence

agencies where it belongs — on American security interests abroad. The orders also place responsibility for internal security threats where it belongs — with the FBI. And the orders help ensure that the rights of innocent American citizens will be protected from unwarranted actions by any of these agencies.

These are all steps that needed to be taken.

In spite of these facts, however, the arguments that our intelligence agencies aren't being allowed to do their jobs continue.

And so it is not surprising that, with a new administration now in power, efforts would be mounted to undo the recent reforms.

The first of these efforts surfaced several weeks ago, when it was reported that proposals were being circulated within the administration to relax the presidential restrictions on intelligence agency activities.

These proposals would (1) let the CIA become involved again in domestic spying; (2) downgrade the authority of the attorney general to oversee enforcement of the presidential orders and to make sure intelligence agencies are complying with the law; (3) reduce the agencies' responsibility to report evidence of criminal wrongdoing to the Justice Department, and (4) virtually remove restrictions designed to protect the privacy of innocent citizens.

If current restrictions were lifted, we would largely be back where we were. If your son or daughter participated in a campus demonstration to protest, say, U.S. policy in El Salvador, the CIA could start a file on him or her. If you spoke out forcefully against some government policy, a file could be begun and your mail opened — all without your knowledge. Rumors could be circulated in the community against you. Farfetched? No. These things happened before, to ordinary law-abiding families like yours.

Fortunately, it now appears that the enthusiasm for these proposals is not shared by President Reagan and other key officials in his administration.

White House counselor Edwin Meese has stated that the president is "absolutely opposed to the CIA getting into domestic spying." Attorney General William French Smith has said that "there is no question the attorney general is going to play an important role" (in making sure intelligence agencies comply with the law). Deputy CIA Director Bobby Inman has indicated that

the proposed revisions will not be adopted in their present form.

These statements are reassuring. I particularly welcome the president's opposition to the first of the four proposals. But the issue is by no means finally settled, and there is still reason to be concerned and watchful.

AMERICAN SURVEY
APPEARED
ON PAGE 21THE ECONOMIST
11 April 1981

AMERICAN SURVEY

CIA

It's independent

WASHINGTON, DC

The shooting of President Reagan has revived a number of familiar policy arguments, among them the role of domestic intelligence. Predictable questions are being raised. Are there threats to the president's safety, and to public order generally, that are going undetected? Are there things that government agencies should have known about Mr John Hinckley, the alleged assailant, and others—such as Mr Edward Richardson, apparently a second would-be assassin-like him? Is greater vigilance in order?

Even though there seems to be agreement that the president was the object of no discernible conspiracy, many people in and out of government have expressed a vague sense of unprotectedness. That leads not merely to calls for a more efficient secret service with more names in its computer, but also to a nostalgia for the days when certain other agencies—in particular the Central Intelligence Agency and the Federal Bureau of Investigation—were watching the home front more carefully.

Nobody has yet publicly urged the FBI



Casey's men embarrassed him

to resume the controversial "cointelpros" (counter-intelligence programmes) of the 1960s, wiretapping, break-ins and various attempts to poke through the rubbish,

damage the financial circumstances and break up the marriages of dissidents. But the bureau itself, under the direction of Mr William Webster, a former federal judge, is unlikely to be enthusiastic in any event, in as much as it is still dealing with the legal trouble from the last time around. Testifying on Capitol Hill this week Mr Stewart Knight, the director of the secret service, complained that unduly burdensome restrictions on the FBI were preventing the bureau from learning, and passing along to the secret service, certain useful bits of intelligence. But at the same hearing, Mr Webster said that his agency wanted to be careful not to send the secret service a lot of "garbage".

The CIA may be another matter. Among Mr Reagan's most popular campaign themes was the promise to unshackle the intelligence community. Even as winter was turning to spring in Washington, there surfaced a transition memorandum calling for a new domestic intelligence effort involving the CIA. It reminded many of the ill-fated "Huston plan", a broad internal security programme launched under President Nixon but cancelled after a few days because of a tantrum by the late J. Edgar Hoover, head of the FBI. Some government official who thought the old days had not been so good leaked the memo to the press, and Mr Bobby Inman, former head of the super-secret National Security Agency and the new deputy director of the CIA, disavowed it during his senate confirmation hearings.

That is one curiosity of American intelligence: the CIA does not always behave bureaucratically in a manner consistent with its public image. The agency is distinctly cool to the prospect of reviving its domestic "Operation Chaos" of the 1960s and early 1970s. And it has caused some grief within the Reagan administration with a recent draft report from its national foreign assessments centre, questioning the evidence for the charge that the Soviet Union is financing and fomenting international terrorism. The report contradicts the assertions of Mr Richard Allen, the national security adviser and other foreign-policy spokesmen, and so it has been sent back by Mr William Casey, the director of central intelligence, to the intelligence analysts for "review". That is bound to revive the arguments over whether intelligence should be subservient to, or independent of, foreign policy.

National Gay Register Report

Kameny's Long Ordeal Personifies Wider Gay Struggle

State Dept., Military Shun Homosexuals

In the fall of 1957, Franklin Kameny, an Army Map Service astronomer with a Harvard PhD, was on assignment in Hawaii when he was surprised by a call ordering him back to Washington.

"Mr. Kameny," his superior told him when he arrived, "we have information that you are a homosexual."

A month later he was fired, and a hard-fought legal battle against his dismissal ended in failure when the Supreme Court refused in 1961 to hear his case.

Kameny's confrontation scene was echoed one day last summer at the super-secret National Security Agency, when an intelligence anal-

yst was called in by his superiors and told they had information that he was "leading a gay lifestyle."

But this time the outcome was entirely different - a dramatic illustration of the gains made by gay government workers since the beginning of Kameny's ordeal.

Instead of quietly resigning, as his superiors urged him to do, the NSA employee did what dozens of other gay federal workers have done over the years - called in Kameny to help fight the ruling. In the end, the man not only managed to retain his job, he was also eventually promoted.

The intelligence analyst, whose identity has remained secret because of the sensitive nature of his work, was just the latest beneficiary of what Kameny calls "our nation's longest war" - an 18-year battle to overturn federal employment barriers against gays.

Vice Admiral Bobby Inman, who as head of NSA approved the decision regarding the gay analyst, has since gone to the CIA as deputy director. His move gives Kameny hope that agency, too, may soon consider softening its policy on the employment of gays.

EXCERPTED

SECURITY OR CENSORSHIP?
THE CRYPTOGRAPHY CONTROVERSY

by

Rodney H. Cooper

STATINTL

Cryptography, the study of secret codes and cyphers,¹ has long been the preserve of governments. In 1952 the United States Government created and designated the National Security Agency (NSA) to be the sole agency responsible for developing and employing cryptographic techniques on the government's behalf. It was also richly endowed with funds to encourage research in this field which was carried out, often with joint sponsorship of the National Science Foundation (NSF), at a limited number of universities.² Until recently the knowledge gained from this research was distributed on a highly restricted "need to know" basis — the only keyword on research papers was MOST SECRET. But in the 1970s cryptography began to emerge from the shadows. Books such as *The Ultra Secret*³ were published, universities with computer science faculties began to offer courses in cryptography and a scholarly journal was established.⁴ By the end of the decade issues of national security and academic freedom were once again on collision course. At the heart of the dispute is disagreement over the extent to which cryptographic research should remain classified.⁵ This article will discuss some of the issues involved.

It is not generally recognized, even by the informed public, that cryptography represents a large, expensive and important part of the global equation of security between nations. Secure communications are essential for diplomacy, policy-making and military planning and operations. Governments need to be able to transmit and store vital information without leakage and encryption systems make such security possible. At the same time governments recognize implicitly the importance of having a capability to "break" the cyphers of their opponents, for this too enhances the security of the more skilful government. The tension between these apparently contradictory principles is accepted. Consequently, cryptography is a study of cyclic efforts. As each technique or code system is invented, a penetration effort is mounted to by-pass or break it and governments must evaluate the cost of penetration (and preventing it) in terms not only of dollars, time and people, but also in relation to the value of the information being stored or transmitted. If the cost of penetration exceeds the value of the information gained then the encryption system may be said to be effective. Nonetheless, cryptographic research and operations are very expensive — the NSA's annual budget exceeds one billion dollars.⁶

One fear, however, haunts security planners — the fear that the variables of the global equation may slip and destabilize the balance of security. With the growth of public and published research in cryptography, slippage in one vital part of the equation is already taking place. Such is the extent of non-government research in the field that in 1979 Admiral Bobby Ray Inman, then Director of NSA (and now Deputy Director of the CIA) broke with established precedent to warn publically that: "There is a very real and critical danger that unrestricted public discussion of cryptologic matters will seriously damage the ability of this government to carry out its mission of protecting *national security information* from hostile exploitation."⁷ Until Admiral Inman spoke out it was virtually unheard of for the NSA Director to make a public statement of any kind. Given the Admiral's reputation as an honest efficient bureaucrat who "thrived in the spotlight of Congressional oversight" of intelligence operations,⁸ his concern should not be dismissed lightly. Where in the spectrum of low intensity conflict could the expansion of cryptographic research make a difference?

Terrorism is one form of conflict which could benefit from the extension of cryptographic knowledge, since the effectiveness of terrorism depends very largely on accurate information about intended targets.⁹ Since information on the plans and activities of security forces and the leaders or other persons they are supposed to protect is usually stored or transmitted in code or cypher, a penetration capability would be useful to terrorists. In most western countries